

<i>SERFF Tracking Number:</i>	<i>NWST-126261717</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>Northwestern Long Term Care Insurance Company</i>	<i>State Tracking Number:</i>	<i>43183</i>
<i>Company Tracking Number:</i>	<i>90-2160 LTC (0809)</i>		
<i>TOI:</i>	<i>LTC03I Individual Long Term Care</i>	<i>Sub-TOI:</i>	<i>LTC03I.001 Qualified</i>
<i>Product Name:</i>	<i>90-2160 LTC (0809)</i>		
<i>Project Name/Number:</i>	<i>90-2160 LTC (0809)/90-2160 LTC (0809)</i>		

Filing at a Glance

Company: Northwestern Long Term Care Insurance Company

Product Name: 90-2160 LTC (0809)	SERFF Tr Num: NWST-126261717	State: Arkansas
TOI: LTC03I Individual Long Term Care	SERFF Status: Closed-Approved	State Tr Num: 43183
Sub-TOI: LTC03I.001 Qualified	Co Tr Num: 90-2160 LTC (0809)	State Status: Closed
Filing Type: Advertisement	Authors: Addie Croeker, Jason Gross	Reviewer(s): Marie Bennett
	Date Submitted: 08/11/2009	Disposition Date: 08/12/2009
		Disposition Status: Approved
Implementation Date Requested: On Approval		Implementation Date:

State Filing Description:

General Information

Project Name: 90-2160 LTC (0809)	Status of Filing in Domicile: Not Filed
Project Number: 90-2160 LTC (0809)	Date Approved in Domicile:
Requested Filing Mode: Review & Approval	Domicile Status Comments:
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Submission Type: New Submission	Group Market Size:
Overall Rate Impact:	Group Market Type:
Filing Status Changed: 08/12/2009	Explanation for Other Group Market Type:
	State Status Changed: 08/12/2009
Deemer Date:	Created By: Addie Croeker
Submitted By: Addie Croeker	Corresponding Filing Tracking Number:

Filing Description:

We are submitting the attached form for your review and, if necessary, your approval, as advertising material for the Long Term Care Policy and related forms which have been previously approved in your state.

This piece is intended for use by our agents for use with the general public.

If you should have any questions regarding the enclosed form, you may call me at (414) 665-4549 or you can e-mail me at jasongross@northwesternmutual.com. On e-mails that are sent, please copy Addie Croeker at addiecroeker@northwesternmutual.com.

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Sincerely,

Jason Gross
Product Compliance Specialist

Company and Contact

Filing Contact Information

Jason Gross, Product Compliance Specialist jasongross@northwesternmutual.com
720 E. Wisconsin Ave. 414-665-4549 [Phone]
Milwaukee, WI 53202 414-665-5006 [FAX]

Filing Company Information

Northwestern Long Term Care Insurance CoCode: 69000 State of Domicile: Wisconsin
Company
720 East Wisconsin Avenue Group Code: 860 Company Type: Long Term Care
Rm S845 Group Name: State ID Number:
Milwaukee, WI 53202 FEIN Number: 36-2258318
(414) 271-1444 ext. [Phone]

Filing Fees

Fee Required? Yes
Fee Amount: \$25.00
Retaliatory? No
Fee Explanation: \$25.00 per form
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Northwestern Long Term Care Insurance Company	\$25.00	08/11/2009	29778225

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Marie Bennett	08/12/2009	08/12/2009

Amendments

Schedule	Schedule Item Name	Created By	Created On	Date Submitted
Form	Reprint: WSJ: Money Matters - Cracks in the Addie Croeker Nest Egg		08/11/2009	08/11/2009

<i>SERFF Tracking Number:</i>	<i>NWST-126261717</i>	<i>State:</i>	<i>Arkansas</i>
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Disposition

Disposition Date: 08/12/2009

Implementation Date:

Status: Approved

Comment:

Rate data does NOT apply to filing.

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Schedule	Schedule Item	Schedule Item Status	Public Access
Form (revised)	Reprint: WSJ: Money Matters - Cracks in the Nest Egg	Approved	Yes
Form	Reprint: WSJ: Money Matters - Cracks in the Nest Egg	Replaced	Yes

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Amendment Letter

Submitted Date: 08/11/2009

Comments:

Please see corrected form

Changed Items:

Form Schedule Item Changes:

Form Schedule Item Changes:

Form Number	Form Type	Form Name	Action	Form Action Other	Previous Filing #	Replaced Form #	Readability Score	Attachments
90-2160 LTC (0809)	Advertising	Reprint: WSJ: Money Matters - Cracks in the Nest Egg	Initial				0.000	90 2160 LTC (0809).pdf

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Form Schedule

Lead Form Number: 90-2160 LTC (0809)

Schedule Item	Form Number	Form Type	Form Name	Action	Action Specific Data	Readability	Attachment
Approved 08/12/2009	90-2160 LTC (0809)	Advertising	Reprint: WSJ: Money Initial Matters - Cracks in the Nest Egg			0.000	90 2160 LTC (0809).pdf

MONEY MATTERS

Cracks in the Nest Egg

A look at the biggest mistakes investors are making with their retirement savings

By GLENN RUFFENACH

PEOPLE MAKE ALL TYPES of mistakes with their money, but few are more painful than those that involve the nest egg. One or two financial missteps with your retirement savings, and you could pay a penalty well into later life.

Until early last year, of course, a remedy for such mistakes was close at hand. A healthy stock market — in the 18th year of a bull run, by some measures — covered a multitude of sins. Need to borrow \$20,000 from your 401(k)? No problem. By the end of the year, the markets probably gave you back that much and more.

Eighteen months later, the landscape has changed considerably.

With that in mind, we decided to canvass financial planners and educators across the country and ask this single question: What are the biggest mistakes investors today are making with their nest eggs, both before and after they retire?

From their answers, we've culled what might be called the whoppers — the 10 errors that were mentioned most frequently and that cause the most damage.

1. Failing to consider long-term care needs.

When people think about threats to their retirement savings, "they primarily think about market losses," says Joe Bowie, chief executive officer of Retirement Investment Advisors Inc. in Oklahoma City. What they fail to consider, he explains, are "the nonmarket-related threats — health care, long-term care — the catastrophic events" that can cause as much harm, or more, as a volatile market.

First, the good news: Most of us will never end up in a nursing home. Now the bad news: More than 50% of Americans will need some form of long-term care, either home care or institutional care, at some point in their lives, according to the Health Insurance Association of America. And the daily cost of good home care already approaches that of a nursing home: about \$128 for the former vs. \$157 for the latter, according to Phyllis Shelton, an insurance consultant in Nashville, Tenn., and author of a book on long-term care.

So, the question you have to ask yourself is simple: Could you finance potential costs of long-

term care out of your nest egg? And the key word is "your." No one else will pick up the tab. Medicare and private insurance don't pay for most long-term care. And forget about transferring your assets to your kids so that Medicaid will step in. Impoverish yourself and you "simply don't have as many choices as a private-pay patient," Ms. Shelton says.

Yes, premiums for long-term care insurance can be steep. The average annual tab is \$1,700. But "the notion of spending a few thousand dollars a year vs. hundreds of thousands of dollars in the future is smart money management," says Michael K. Stein, a certified financial planner in Boulder, Colo., and author of a book on retirement finances.

2. Failing to consider the effects of inflation and taxes.

When is a \$1 million nest egg not a \$1 million nest egg? When it's taxed.

"Your nest egg is smaller than you think," says Tom Grzymala, a certified financial planner in Alexandria, Va. "One million dollars in a 401(k) is really more like \$750,000. That's because people fail to discount the 25% to 30% that taxes might be costing them."

And don't assume that taxes go down when you retire. Some older adults, when Social Security, pensions, 401(k)s and other savings are factored in, find themselves in the same or nearly the same tax bracket as when they were employed.

Of course, if you don't pay your taxes, the Internal Revenue Service will drop you a friendly reminder. Inflation isn't nearly as accommodating; it robs you of your purchasing power slowly and quietly. Consider: A \$1 million nest egg, with an annual rate of inflation of 3%, will have a value of only \$737,000 after 10 years.

"Volatility isn't the greatest risk to your portfolio," says William Howard, a certified financial planner in Memphis, Tenn. "Inflation is. People don't understand that."

3. Failing to take advantage of the years immediately before retirement.

Yes, you started saving late for retirement. And no, you haven't saved enough. But that doesn't mean an all-out effort in the years leading up to your final day at the office can't make a big difference in the size of your nest egg. That said, many investors fail to take advantage of the opportunity.

"We've seen people build up almost one-third of their savings in the last five years [before retiring] because they got really serious about

saving and investing," says Nancy Blunck, a certified financial planner in Anchorage, Alaska. More typically, though, says Mr. Stein in Colorado, couples in their late 50s and early 60s are indulging themselves, given that the kids have left home. "Their lifestyle creeps up," he says. "Instead of buying the Buick, they buy the Lexus; instead of the small SUV, they get the big SUV."

Investors also wait too long to diversify their holdings. "They're fully invested in stocks to the day they retire," says John Schneider, president of Bill Few Associates, a financial planning firm in Pittsburgh. "Then they begin to scramble and diversify as quickly as possible." That process, instead, should take place gradually in the years leading to retirement — to avoid sudden or prolonged downturns in the market.

4. Making large loans to family and friends.

You finally made it. You're retired and sitting on a comfortable nest egg. And then come the knocks on your door.

"Your son asks you for \$100,000 to start a business," says Judith A. Shine, who heads her own investment advisory firm in Englewood, Colo. "And you say, 'Sure, I'll lend you the money.' And then your other son says, 'Well, can you lend me \$100,000 to buy a house?' And you help him, too.

"And you never see any of that money again."

It's certainly not a case of theft or neglect. Rather, loans to family members, friends and former business associates seem to have a way of becoming gifts. In some cases, says Bob Confessore, a certified financial planner in Little Silver, N.J., a first request for help to "start" a business leads to "additional requests to 'keep the ball rolling' or 'build market share.'" The result: a bottomless pit.

The appeals are made, of course, with the knowledge that you suddenly have considerable assets at your disposal — which is precisely the problem. Big withdrawals from your nest egg early in your retirement can crimp your spending in later years.

"Many times, you're not in a position to be as generous as you would like," says Diane MacPhee, a certified financial planner in Glen Rock, N.J. Her suggestion: smaller loans with a formal repayment plan. She cites the example of a retired client whose daughter was buried under \$42,000 in credit-card bills. The client lent the daughter \$20,000, which allowed her to refinance the balance of her debt. Meanwhile, the daughter agreed to pay back the money at 8% interest in monthly installments over four years.

MR. RUFFENACH IS A REPORTER AND EDITOR AT THE WALL STREET JOURNAL AND THE EDITOR OF ENCORE. HE CAN BE REACHED AT ENCORE@WSJ.COM

90-2160 LTC (0809)

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DOW JONES

Says Ms. MacPhee: "She never missed a payment."

5. Overestimating how much you can withdraw from your nest egg.

The thinking appears to be sound: "Usually, people say, 'Well, if I earn an average of 8% on my investments, then I can withdraw 8%, right?'" says Ross Levin, a certified financial planner in Minneapolis. The answer is: You can — but you shouldn't.

For starters, annual returns are seldom "average." "That 8% doesn't come year after year," Mr. Levin notes. Case in point: The widely watched Standard & Poor's 500-stock index last year sank 9.1%, including dividends. Big withdrawals from your nest egg in the teeth of a bear market, especially for people early in their retirement, could mean that your money runs out before you do.

What is a realistic withdrawal rate? Most financial advisers are comfortable with 3% to 5% (although "even 5% is pushing the envelope," Mr. Levin says). William P. Bengen, a personal financial adviser in El Cajon, Calif., who has done pioneering research in this area, notes that a "withdrawal rate of about 4%, adjusted each year for inflation, should keep you going for about 30 years, no matter what happens in the markets." (This assumes a portfolio with a healthy dose of stocks, about 60% to 70%.)

One note: Some advisers say withdrawal rates of as much as 7% or 8% may be acceptable in the early years of retirement, when you're most active — as long as you're prepared to reduce expenses in later life. "I wouldn't want to miss the opportunity for a wonderful retirement," says Mr. Stein in Colorado. "If my [financial] plans don't work out, then I'll pull back to a 'subsistence mode.'"

6. Overmanaging a retirement portfolio.

Quick: Name two calamities that befell retirement savings plans in recent years. The downturn in the stock market? Any and all tax bills that came out of Washington? Not even close, says David Foster, an accountant and certified financial planner in Cincinnati.

"Daily pricing and Web access are two of the worst things that ever happened to 401(k)s," he says.

Mr. Foster is exaggerating, but not much. "Too many people today overmanage their 401(k)s," he says. "At the end of the day, they see that their growth fund lost 20%, but their value fund was up 5%, so they get on the 800 number and start moving money."

The market turmoil of the past 18 months has only made the situation worse, financial advisers say. Many investors, after all, have never been through a down market, or at least one in which they had (or started with) a sizable nest egg. "It's a case of not understanding underperformance," says Ms. Shine in Colorado. "You think that you can outrun it or trade out of it, but you can't."

The dangers of such attempts are well-documented. According to Ibbotson Associates Inc., the Chicago-based investment advisory firm, a person who invested \$1 in an S&P 500 index fund at the end of 1980 and kept that money invested through the end of 2000 would have ended up with \$18.41. But missing the 15 best trading

months in those same 20 years would have left that investor with just \$4.73.

Says Mr. Howard in Tennessee, "If you're looking at your account balance each day, that's putting more stress on yourself than you need to."

7. Taking too much risk with investments.

The traditional problem with retirement savings has been the avoidance of risk — keeping too much money in fixed-income investments (like bonds, for their presumed safety) and not enough in the stock market. The latter, of course, is what gives your nest egg the best chance to grow (or at least stay ahead of inflation).

While that mistake still hampers some people, the more common problem today, financial advisers say, is the aggressive investor, the one with a "casino mentality," says Mr. Bengen in California.

Such investors chase the "hot" fund or stock, or fail to diversify their holdings. Some do it because they haven't saved enough money for retirement and now are trying to catch up; others have watched their nest eggs shrink and hope to recoup their losses. In almost every case, though, the person is putting the cart before the horse.

"You ask a client, 'What are your goals? What would make you happy?'" says Ms. Blunck in Alaska. "And they say, 'I want to beat the market' or 'I want a return of 17%.' [But] those really aren't goals. Educating your grandchildren, or contributing a certain amount of money [to a charity], or having a worry-free retirement without running out of money, those are goals. And you might not need [a] 17% [return] or to beat the market to achieve them. You might not have to take that much risk."

"You need enough," Ms. Blunck adds. "You don't need more and more."

8. Underestimating life expectancy.

Eileen Sharkey, a certified financial planner in Denver, likes to tell the story about clients who inform her that they plan to buy a new car before they retire, indicating that that vehicle will probably see them through their final years.

"One car?" she says. "There's a good chance they'll live long enough to buy five new cars."

As much coverage as the idea of increased life expectancy has received in the media in recent years, many investors still underestimate, often seriously, just how long they might live. Failing to do so can play havoc with your retirement planning and finances.

"They get it intellectually," says Ms. Sharkey, referring to her clients. "They'll tell you about their aunt who is 90, or their parents who are in their 80s. But the implications of longevity haven't become an integral part of their thinking."

The biggest implication, of course, is the possibility that your money could run out before you do. It's easier than you think. Combine several rough years in the stock market (particularly early in your retirement) along with an aggressive rate of withdrawal, and the nest egg you spent 30 years building could be gone in half that time. That's why most planners now "use an age of 90 or 95 when developing savings plans," says Charlie Haines, who heads his own family advisory firm in Birmingham, Ala. "And even those numbers might be too young."

9. Underestimating expenses in retirement.

You may have heard the conventional wisdom: Retirees need about 70% of their annual preretirement income to maintain a similar lifestyle. Hogwash, says Ron Kelemen, a certified financial planner in Salem, Ore. "There's no bigger myth out there."

Almost without exception, every financial adviser we spoke with said their clients find themselves spending just as much money in retirement as they did when they were working full time. "I have yet to see a client who, the day they retired, started living on 30% less than the day before," Mr. Kelemen says. New retirees, in particular, he adds, "are healthy, they travel more, they're fixing up the house. Maybe their spending slows in later years — but not at first."

Two points. First, if you're approaching retirement and are still using the 70% rule, you might want to re-examine whether you're saving enough, how big your nest egg needs to be and how long you need to work. This assumes, of course, that you've actually made a stab at calculating a budget in retirement. "Lots of people don't know how much money it costs them to live on now," says Mr. Grzymala in Virginia. "If you don't have a handle on current cash flow and expenses, you can't get started on retirement planning."

Second, people already in retirement who find themselves spending more than they originally planned need to be aware of the risks of so-called double-dipping: an excessive rate of withdrawal from savings at a time when markets are falling. Says David Morganstern, a certified financial planner in Portland, Ore., "If you spend your retirement savings too quickly, going back to work at 70 is a tough pill to swallow."

10. Focusing on your nest egg to the exclusion of all else.

Who makes the best transition to retirement? Teachers, says Ms. Sharkey in Denver.

Each year, during their summer break, "teachers spend two to three months learning to have a life," Ms. Sharkey explains. "They practice not being at work. And that's one way to look at retirement: 30 years of not being at work."

The lesson here is that while tending your nest egg is critical, people who focus only on finances neglect the most important part of later life: how they're going to spend their time.

"People really don't prepare to retire," says Richard Lee, who heads a financial advisory firm in Dallas. "They invest money fairly consistently along the way . . . but they don't prepare their lives for a smooth and fulfilling transition. It's particularly difficult for men. The relationships they've built up are, in large part, business relationships. But once you retire, the lunches, the outings — they don't happen anymore."

Thus, the question: How will you fill your days? Vague answers here — "some travel, some work, some play" — can be just as debilitating in the long run as vague financial goals. "Identify the things that you like to do and that work gets in the way of," Ms. Sharkey says. Ideally, with some of those answers in hand, the actual transition into retirement itself, she says, "becomes a fairly insignificant Friday afternoon." ■

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Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date:	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
08/11/2009	Form	Reprint: WSJ: Money Matters - Cracks in the Nest Egg	08/11/2009	90-2160 LTC (0809).pdf (Superseded)

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4. Making large loans to family and friends.

You finally made it. You're retired and sitting on a comfortable nest egg. And then come the knocks on your door.

"Your son asks you for \$100,000 to start a business," says Judith A. Shine, who heads her own investment advisory firm in Englewood, Colo. "And you say, 'Sure, I'll lend you the money.' And then your other son says, 'Well, can you lend me \$100,000 to buy a house?' And you help him, too.

"And you never see any of that money again."

It's certainly not a case of theft or neglect. Rather, loans to family members, friends and former business associates seem to have a way of becoming gifts. In some cases, says Bob Confessore, a certified financial planner in Little Silver, N.J., a first request for help to "start" a business leads to "additional requests to 'keep the ball rolling' or 'build market share.'" The result: a bottomless pit.

The appeals are made, of course, with the knowledge that you suddenly have considerable assets at your disposal — which is precisely the problem. Big withdrawals from your nest egg early in your retirement can crimp your spending in later years.

"Many times, you're not in a position to be as generous as you would like," says Diane MacPhee, a certified financial planner in Glen Rock, N.J. Her suggestion: smaller loans with a formal repayment plan. She cites the example of a retired client whose daughter was buried under \$42,000 in credit-card bills. The client lent the daughter \$20,000, which allowed her to refinance the balance of her debt. Meanwhile, the daughter agreed to pay back the money at 8% interest in monthly installments over four years.

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DOW JONES

Says Ms. MacPhee: "She never missed a payment."

5. Overestimating how much you can withdraw from your nest egg.

The thinking appears to be sound: "Usually, people say, 'Well, if I earn an average of 8% on my investments, then I can withdraw 8%, right?'" says Ross Levin, a certified financial planner in Minneapolis. The answer is: You can — but you shouldn't.

For starters, annual returns are seldom "average." "That 8% doesn't come year after year," Mr. Levin notes. Case in point: The widely watched Standard & Poor's 500-stock index last year sank 9.1%, including dividends. Big withdrawals from your nest egg in the teeth of a bear market, especially for people early in their retirement, could mean that your money runs out before you do.

What is a realistic withdrawal rate? Most financial advisers are comfortable with 3% to 5% (although "even 5% is pushing the envelope," Mr. Levin says). William P. Bengen, a personal financial adviser in El Cajon, Calif., who has done pioneering research in this area, notes that a "withdrawal rate of about 4%, adjusted each year for inflation, should keep you going for about 30 years, no matter what happens in the markets." (This assumes a portfolio with a healthy dose of stocks, about 60% to 70%.)

One note: Some advisers say withdrawal rates of as much as 7% or 8% may be acceptable in the early years of retirement, when you're most active — as long as you're prepared to reduce expenses in later life. "I wouldn't want to miss the opportunity for a wonderful retirement," says Mr. Stein in Colorado. "If my [financial] plans don't work out, then I'll pull back to a 'subsistence mode.'"

6. Overmanaging a retirement portfolio.

Quick: Name two calamities that befell retirement savings plans in recent years. The downturn in the stock market? Any and all tax bills that came out of Washington? Not even close, says David Foster, an accountant and certified financial planner in Cincinnati.

"Daily pricing and Web access are two of the worst things that ever happened to 401(k)s," he says.

Mr. Foster is exaggerating, but not much. "Too many people today overmanage their 401(k)s," he says. "At the end of the day, they see that their growth fund lost 20%, but their value fund was up 5%, so they get on the 800 number and start moving money."

The market turmoil of the past 18 months has only made the situation worse, financial advisers say. Many investors, after all, have never been through a down market, or at least one in which they had (or started with) a sizable nest egg. "It's a case of not understanding underperformance," says Ms. Shine in Colorado. "You think that you can outrun it or trade out of it, but you can't."

The dangers of such attempts are well-documented. According to Ibbotson Associates Inc., the Chicago-based investment advisory firm, a person who invested \$1 in an S&P 500 index fund at the end of 1980 and kept that money invested through the end of 2000 would have ended up with \$18.41. But missing the 15 best trading

months in those same 20 years would have left that investor with just \$4.73.

Says Mr. Howard in Tennessee, "If you're looking at your account balance each day, that's putting more stress on yourself than you need to."

7. Taking too much risk with investments.

The traditional problem with retirement savings has been the avoidance of risk — keeping too much money in fixed-income investments (like bonds, for their presumed safety) and not enough in the stock market. The latter, of course, is what gives your nest egg the best chance to grow (or at least stay ahead of inflation).

While that mistake still hampers some people, the more common problem today, financial advisers say, is the aggressive investor, the one with a "casino mentality," says Mr. Bengen in California.

Such investors chase the "hot" fund or stock, or fail to diversify their holdings. Some do it because they haven't saved enough money for retirement and now are trying to catch up; others have watched their nest eggs shrink and hope to recoup their losses. In almost every case, though, the person is putting the cart before the horse.

"You ask a client, 'What are your goals? What would make you happy?'" says Ms. Blunck in Alaska. "And they say, 'I want to beat the market' or 'I want a return of 17%.' [But] those really aren't goals. Educating your grandchildren, or contributing a certain amount of money [to a charity], or having a worry-free retirement without running out of money, those are goals. And you might not need [a] 17% [return] or to beat the market to achieve them. You might not have to take that much risk."

"You need enough," Ms. Blunck adds. "You don't need more and more."

8. Underestimating life expectancy.

Eileen Sharkey, a certified financial planner in Denver, likes to tell the story about clients who inform her that they plan to buy a new car before they retire, indicating that that vehicle will probably see them through their final years.

"One car?" she says. "There's a good chance they'll live long enough to buy five new cars."

As much coverage as the idea of increased life expectancy has received in the media in recent years, many investors still underestimate, often seriously, just how long they might live. Failing to do so can play havoc with your retirement planning and finances.

"They get it intellectually," says Ms. Sharkey, referring to her clients. "They'll tell you about their aunt who is 90, or their parents who are in their 80s. But the implications of longevity haven't become an integral part of their thinking."

The biggest implication, of course, is the possibility that your money could run out before you do. It's easier than you think. Combine several rough years in the stock market (particularly early in your retirement) along with an aggressive rate of withdrawal, and the nest egg you spent 30 years building could be gone in half that time. That's why most planners now "use an age of 90 or 95 when developing savings plans," says Charlie Haines, who heads his own family advisory firm in Birmingham, Ala. "And even those numbers might be too young."

9. Underestimating expenses in retirement.

You may have heard the conventional wisdom: Retirees need about 70% of their annual preretirement income to maintain a similar lifestyle. Hogwash, says Ron Kelemen, a certified financial planner in Salem, Ore. "There's no bigger myth out there."

Almost without exception, every financial adviser we spoke with said their clients find themselves spending just as much money in retirement as they did when they were working full time. "I have yet to see a client who, the day they retired, started living on 30% less than the day before," Mr. Kelemen says. New retirees, in particular, he adds, "are healthy, they travel more, they're fixing up the house. Maybe their spending slows in later years — but not at first."

Two points. First, if you're approaching retirement and are still using the 70% rule, you might want to re-examine whether you're saving enough, how big your nest egg needs to be and how long you need to work. This assumes, of course, that you've actually made a stab at calculating a budget in retirement. "Lots of people don't know how much money it costs them to live on now," says Mr. Grzymala in Virginia. "If you don't have a handle on current cash flow and expenses, you can't get started on retirement planning."

Second, people already in retirement who find themselves spending more than they originally planned need to be aware of the risks of so-called double-dipping: an excessive rate of withdrawal from savings at a time when markets are falling. Says David Morganstern, a certified financial planner in Portland, Ore., "If you spend your retirement savings too quickly, going back to work at 70 is a tough pill to swallow."

10. Focusing on your nest egg to the exclusion of all else.

Who makes the best transition to retirement? Teachers, says Ms. Sharkey in Denver.

Each year, during their summer break, "teachers spend two to three months learning to have a life," Ms. Sharkey explains. "They practice not being at work. And that's one way to look at retirement: 30 years of not being at work."

The lesson here is that while tending your nest egg is critical, people who focus only on finances neglect the most important part of later life: how they're going to spend their time.

"People really don't prepare to retire," says Richard Lee, who heads a financial advisory firm in Dallas. "They invest money fairly consistently along the way . . . but they don't prepare their lives for a smooth and fulfilling transition. It's particularly difficult for men. The relationships they've built up are, in large part, business relationships. But once you retire, the lunches, the outings — they don't happen anymore."

Thus, the question: How will you fill your days? Vague answers here — "some travel, some work, some play" — can be just as debilitating in the long run as vague financial goals. "Identify the things that you like to do and that work gets in the way of," Ms. Sharkey says. Ideally, with some of those answers in hand, the actual transition into retirement itself, she says, "becomes a fairly insignificant Friday afternoon." ■